Minutes of the Staff Workshop on Greenhouse Gas Emissions Guidance to the California Climate Action Registry

Friday, March 15, 2002
Sacramento, California

Presenters

Jim Boyd, Commissioner, Energy Commission
Greg Greenwood, California Resources Agency
Pierre duVair, Climate Change Program, Energy Commission
Jeff Wilson, Climate Change Program, Energy Commission
Jill Gravender, California Climate Action Registry
Chris Loreti, Arthur D. Little, Inc.

Audience participants included potential greenhouse gas reporters, potential technical assistance providers, potential certifiers, government agency representatives, and concerned citizens.

1. Purpose of the Workshop and Introductions: Pierre du Vair and Commissioner Jim Boyd, Energy Commission

Pierre du Vair explained to the audience the purpose of the workshop, which was to gather comments and suggestions on the "Guidance to the California Climate Action Registry: General Reporting Protocol" prepared by Arthur D. Little. He gave an overview of the workshop schedule. The audience members introduced themselves and stated their reasons for attending the workshop. The recently appointed Energy Commission Commissioner Jim Boyd welcomed the workshop participants, described the importance of climate change issues in California, his background with this subject and the Commission's strong interest in the success of the California Climate Action Registry.

2. Opening Remarks by Greg Greenwood , California Resources Agency

Greg Greenwood attended the workshop for Mary Nichols, the Secretary of the California Resources Agency. He stressed the need for California's Registry to be rigorous in its methodology to ensure a viable implementation. He added that a viable Registry will allow European nations to trade credits with California, which could be a significant economic opportunity for California businesses. He described some of the innovative credit programs emerging in the US, such as the steel reuse program in New Jersey. According to Mr. Greenwood, recent events such as the collapse of Enron Corporation have shown that accurate accounting is very important. He concluded that the Registry was necessary but not sufficient to address issues related to California's GHG emissions. The California Resources Agency is currently participating in a multi-agency effort to identify the other important elements of a state approach to climate change issues. Mr. Greenwood introduced Chris Loreti of Arthur D. Little (ADL), the project manager for the draft general reporting protocol.

3. Guidance Document Overview

Chris Loreti (ADL) outlined his presentation, which addressed the 4 topics most comments and suggestions would focus on. He described the purpose of the General Reporting Protocol and added the report would not include industry-specific emission reporting requirements. He presented the background documents used to develop the protocol. He also identified the role of working group members, which provided feedback during the pre-draft process.

4. Topic#1: Level of Detail in Submission of Results

Chris Loreti (ADL) presented the advantages and disadvantages of requesting either minimal or maximum details from reporting entities. He then described the level of detail recommended in the Protocol. The audience provided the following comments:

- The rules governing the confidentiality of information provided by the reporting entities must be clear. The total emissions per reporter will necessarily be public information but reporters should have the ability of keeping data such as production levels confidential. It was suggested the Registry publish guidelines addressing confidentiality.
- Comments and input from potential reporters will be valuable to the Protocol development
- One participant suggested different levels of reporting for different size reporters may be considered. Jill Gravender (California Climate Action Registry) mentioned that smaller entities would have fewer and often less complex GHG sources to report.
- The general protocol should require reporting of enough information for the results to be credible, a lack of supporting data is a common criticism of the U.S. Department of Energy 1605B program.
- The level of detail provided in the Protocol document seemed overwhelming to some industry reviewers. They claimed the statute only required reporting baseline emissions and annual results. They also thought some of the information requested, such as number of facilities in the US, number of employees, annual revenue, year founded, international operations, was not necessary for the Registry purposes and would increase the effort needed to report. Several participants replied that most of the information required for calculating emissions results will necessarily be compiled and therefore readily accessible to reporters. Jill Gravender (Registry) added that the data requested would be essential to develop GHG management best practices. It was agreed that reporting some of the data identified in the draft report is optional (e.g., facilities outside of CA, non-CO2 emissions).
- Chris Loreti (ADL) mentioned that the level of detail required is consistent with other major programs and will simplify the certification process. He added there was a trade-off between the reporting level of detail and the cost of certification. Pierre du Vair commented that certifying the certification process alone and not the reported data is likely insufficient for the state to use its best efforts to stand behind the reported data.
- Clarifications on the requirements to set baseline emissions should be added to the document
- The Protocol should mention that Senate Bill 1771 (2000) rather than Senate Bill 527 (2001) established the Registry.

5. Topic #2: Setting De Minimis Levels of GHG Emissions

Chris Loreti (ADL) described the advantages and disadvantages of the two most common criteria used to define de minimis emissions: a set or absolute number of tons of CO_2-equivalent emissions per year or a percentage of total emissions. He presented the recommended procedure, which combines both criteria. The following comments were made on the recommendation:

- A participant asked whether Energy Commission had estimated what types of gas would be underreported as a result of the de minimis definition. One such gas will be N_2O for certain combustion sources. Concern was expressed that as understanding of CO_2 equivalent emissions is refined, the Registry would find that GHG emissions had been under-reported and would need to adjust results.
- The compatibility of the de minimis definition and the legislation requirement were discussed. It was concluded that the Protocol followed the legislation.
- Reporters are not prevented from reporting their de minimis emissions.
- Reporters are not required to provide non-CO2 GHG emissions for the first three years they report. The cases where CO2 is not the major emission types were discussed.

6. Topic #3: Options for Certification Process

Pierre du Vair (Energy Commission) summarized goals of the certification process from the perspective of participants, the Registry, and the state. An independent certification process will allow the state to better defend the submitted data. A well structured certification process will also encourage more entities to register. Chris Loreti (ADL) explained why self-certification was not recommended and described the proposed three-tier approach to certification. He added that the participant's data collection process, the actual data, and the boundaries of the inventory need to be certified. The following comments were made about the certification process recommendation:

- Qualification of firms to act as certifiers will be ongoing. This process will be described in a separate document, a draft of which will be provided to the working group members.
- Although the sequence of events has not yet been determined, certification will occur after the data is submitted to the Registry.
- The Registry is considering affiliate membership options where smaller companies can have access to the Registry software for a reduced fee, for learning purposes.
- It was suggested that smaller entities could apply to the Registry as a cooperative and seek the services of a certifier together. However, the emission results of each entity would need to be certified.
- It was suggested that the certifier be contracted by the participant or reporting entity. The Registry will provide a listing of state and Registry approved certifiers.
- The reporter will provide the certifier with backup material including fuel bills. The Registry will not received or store hardcopies of fuel bills.
- The audience found that the requirements were rigorous enough, especially considering the Registry will be the state's means of working within any future federal credit program.
- The certifiers will be held financially accountable for their certifications.
- It was suggested that certifiers be approved for specific industries. Energy Commission responded that initially there is likely to be only one approval process for all certifiers.
- Conflict of interest issues will be addressed in the certifier approval process.
- Certifiers might include traditional industry consultants, as well as local agencies such as air quality management districts.
- Besides the size of the entity, mergers, acquisitions and other ownership changes should lead to a site visit by a certifier.
- For large entities with complex operations, certifiers might need to more carefully review the reporter's process for gathering data and the actual reported data.

7. Topic #4: Participant Boundaries and Emission Factors

Chris Loreti (ADL) described the commonly used reporting boundaries including both the management control and the equity share reporting approaches. He also described the recommended organizational boundaries for reporting. The following comments were made about the boundary recommendation:

- Some audience members inquired if the system would increase the risk of double counting emissions.
- Participants wanted to find out if the optional reporting for less than 20% ownership would defeat the de minimis recommendation.
- Boundary adjustments will probably be done by facility.

Lawrence Berkeley National Laboratory (LBNL) representatives updated the participants on the progress of their methods to estimate emission factors for use of electricity. These emission factors can vary significantly with factors such as fuel used, time of day electricity is consumed, season, and

geographic location. The amount of emissions reduced by lower electricity use also varies greatly. As California imports a large portion of the electricity its uses, emission factors including imports needs to be addressed appropriately. Other factors affecting electricity use emissions include the electricity sector restructuring and direct access. LBNL is considering both average and marginal emission factors for CO_2 from electricity consumption.

Chris Loreti (ADL) discussed the emission factor recommendations. The following comments were provided by the audience:

- The power content label factors are more realistic than EIA emission factors. The EIA factors do not take into account electricity imports.
- There is a time lag between when LBNL will have completed their study and when the Registry needs to adopt reporting protocols. The existing recommendations are used as placeholders until LBNL provides more information on methods to estimate emission factors.
- The utilities provide the Public Utility Commission (PUC) with their contracts.
- Unfortunately, because the contracts are often complex, rough emission factors can not be inferred from this type of information.
- Ideally, "green power" consumers would obtain emission factors from their providers.
- API was suggested as a source of emission factors. Chris Loreti (ADL) explained that API was a compendium of the sources referenced in the Protocol and noted that the compendium is referenced in the list of potential industry-specific reporting measures.
- The purpose of the accuracy discussion requires additional clarification in the report. Also, the PUC sets meter accuracy at 5% uncertainty level.
- Industry-specific emission factors will be provided through a separate process and document.

8. Other Discussion Items

Workshop participants inquired about the expected level of Registry participation. Energy Commission staff anticipate that workshop participation will increase as industry-specific protocols are developed. The Registry expects the first participants to join in the late summer/early fall of this year. The general reporting protocol is expected to be approved by the Registry Board in mid-June 2002. Registry staff will then prepare a simplified users manual for participants. The goal is to have a minimumof 25 participants to launch the Registry. A consultant is working on assessing the registration fees.

It was also recommended that the purpose of the general protocol be stated in the beginning of the document. Co-generation and chilled water emission estimation procedures and recommendations were discussed.

9. Schedule for Development of Approval Process for Third-Party Organizations

Jeff Wilson (Energy Commission) provided the following schedule for development of an approval process for third-party organizations:

- First week of April release a draft protocol, followed by a two week comment period
- Take applications from parties interested in approval at the end of April
- Conduct interviews, if necessary, and re-open the application process twice a year for a one month period.

NOTE: Written comments on the draft general protocol will be accepted until March 29, 2002.